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**State of New Jersey
Judicial
Retirement
System**



December 2016

**Department of the Treasury
Division of Pensions and Benefits**

FOREWORD

The New Jersey *Judicial Retirement System (JRS) Member Handbook* provides a summary description of the benefits of the plan and outlines the rules and regulations governing the plan. The *JRS Member Handbook* should provide you with all the information you need about your JRS benefits. However, if there is a conflict with statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence. Complete terms governing any employee benefit program are set forth in the *New Jersey Statutes Annotated*. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code. This handbook, containing current updates, is available for viewing over the Internet at:

www.nj.gov/treasury/pensions/epbam/exhibits/handbook/jrsbook.pdf

If you are unsure of or have questions about any aspect of your JRS benefits, you should ask your Judges Benefits Representative in the Administrative Office of the Courts or a counselor at the Division of Pensions and Benefits about them.

Since this is your handbook, we would appreciate any comments or suggestions for improvement that you might have. Please send them to the address listed below. An evaluation form is available for your use on page 37.

Division of Pensions and Benefits
ATTN: Office of Communications
P.O. Box 295
Trenton, NJ 08625-0295

State of New Jersey Judicial Retirement System

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CONTACTING THE DIVISION OF PENSIONS AND BENEFITS

Telephone Numbers

- To speak with a Judges Benefits Aide in the Human Resources Office of the Administrative Office of the Courts, call (609) 292-4687.
- To speak with a Pensions Representative about your Judicial Retirement System benefits, call (609) 292-0909 weekdays between 8:00 a.m. and 4:00 p.m. (except State holidays).
- To speak with a counselor about your State Health Benefits Program coverage, call (609) 292-7524 weekdays between 7:30 a.m. and 4:30 p.m. (except State holidays).

If you are hearing impaired and require the services of a relay operator, please dial 711 and provide the operator with the following phone number: (609) 292-6683. You will then be connected to a Client Services phone representative for assistance.

- To speak with a plan representative about the New Jersey State Employees Deferred Compensation Plan, call Prudential at 1-866-NJSEDCP (1-866-657-3327) weekdays between 8:00 a.m. and 9:00 p.m. (except State holidays). A plan representative will answer your questions about the Deferred Compensation Plan and provide enrollment and distribution forms.
- To speak with a plan representative about the Supplemental Annuity Collective Trust (SACT), call (609) 292-7524 weekdays between 7:30 a.m. and 4:30 p.m. (except State holidays). SACT representatives will answer your questions about the SACT and provide enrollment and distribution forms.

Internet, E-Mail, and Mailing Address

General information and most publications of the Division of Pensions and Benefits can be found on the Internet at: www.nj.gov/treasury/pensions

You can e-mail the Division at: pensions.nj@treas.nj.gov

Our postal address is:

Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295

On all correspondence, be sure to include your membership number or last four digits of your Social Security number.

Counseling Services

The Division of Pensions and Benefits offers counseling services to members of the retirement systems and benefit programs. **Counselors are available by appointment** Monday through Friday, 8:00 a.m. to 4:00 p.m. Appointments can be made by contacting the Division at: (609) 292-0909.

DIRECTIONS TO THE DIVISION OF PENSIONS AND BENEFITS

The Division of Pensions and Benefits is located at 50 West State Street (One State Street Square), which is a half-block east of the State House. Visitors must use the front entrance of the building (on West State Street). Check in with the guard in the main lobby where you will be directed to the Office of Client Services.

Parking: Metered, on-street parking is available in the blocks surrounding our building. Pay parking lots and parking ramps are also available throughout downtown Trenton.

From Northeast New Jersey via the NJ Turnpike

Take the NJ Turnpike South to Exit 7A. Follow I-195 West until it ends, then follow signs for Route 29. After passing through a tunnel and two traffic lights, take the Calhoun Street exit. At the first traffic light, turn right onto West State Street. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From Northeast New Jersey via Route 1

Take Route 1 South toward Trenton. Just north of Trenton, Route 1 splits into two roads. Stay to the left (do not use Route 1 Alternate). From Route 1 take the Perry Street exit. At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light after turning onto Perry Street, turn left onto Warren Street. At the second light, turn right onto West State Street. Our offices are located on the right, just before the next traffic light, at 50 West State Street (One State Street Square).

From Northwest New Jersey

Take Route 31 South to I-95 South to Exit 1 (Route 29). Follow Route 29 South for five miles to the Calhoun Street exit. At the first traffic light, turn right onto West State Street. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From Southern New Jersey

If using the Turnpike, take exit 7A and follow the directions from Northeast New Jersey via the NJ Turnpike.

If using I-295 North, take exit 60 to Route 29 and follow the directions for using Route 206 North (below) beginning with Route 29.

If using Route 206 North, about four miles before reaching center-city Trenton take the I-295 exit but, once on the interstate highway, follow signs for Route 29, not I-295. After passing through a tunnel and two traffic lights, take the Calhoun Street exit. At the first traffic light, turn right onto West State Street. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From the New Jersey Shore

Take I-195 West, then follow the directions from Northeast New Jersey via the NJ Turnpike.

PLAN INFORMATION

Name of Plan

The Judicial Retirement System of New Jersey (JRS)

Administration

The Judicial Retirement System is a defined benefit plan administered by the:

New Jersey Division of Pensions and Benefits

PO Box 295

Trenton, New Jersey 08625-0295

(609) 292-0909

Provisions of Law

The Judicial Retirement System was established by New Jersey Statute and can be found in the New Jersey Statutes Annotated, Title 43, Chapter 6A. Changes in the law can only be made by an act of the State Legislature. Rules governing the operation and administration of the system may be found in Title 17, Chapter 10 of the New Jersey Administrative Code.

Funding

The funds used to pay benefits come from three sources: State contributions, employee contributions, and investment income from those contributions.

Plan Year

For record keeping purposes the plan year is July 1 through June 30.

Service of Legal Process

Legal process must be served on the Attorney General of New Jersey pursuant to New Jersey Court Rules, R. 4:4-4(7).

Employment Rights Not Implied

Membership in the Judicial Retirement System does not give you the right to be retained in service for the judiciary, nor does it give you a right of claim to any benefit you have not accrued under terms of the system.

Benefits and provisions of the Judicial Retirement System are subject to changes by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the Judicial Retirement System, it is not a final statement. Complete terms governing any judicial benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code.

JUDICIAL RETIREMENT SYSTEM (JRS)

THE RETIREMENT SYSTEM

The Judicial Retirement System (JRS) was established on June 1, 1973, after the repeal of the laws that had provided benefits to certain members of the judiciary and their beneficiaries since 1948. For administrative purposes, the State House Commission acts as the Board of Trustees.

The purpose of this handbook is to provide you with information about the retirement system and assist you in making decisions concerning you and your family's future. If you have questions concerning your retirement system benefits, please see page iii for information on contacting the Human Resources Office of the Administrative Office of the Courts, or the Division of Pensions and Benefits.

This handbook is available for viewing on the Division of Pensions and Benefits Web site: www.nj.gov/treasury/pensions While at the Division's home page, be sure to check for JRS related forms, fact sheets, and news of any new developments affecting the JRS.

MEMBERSHIP

Eligibility Criteria

If you are a member of the State Judiciary, you are required to join the JRS as a condition of employment. The JRS covers the Chief Justice and Associate Justices of the State Supreme Court, as well as all judges of the Appellate Court, Superior Court, and Tax Court of the State of New Jersey.

ENROLLMENT

Enrollment/Certification of Payroll Deductions

Both you and the Administrative Office of the Courts (AOC) must complete the *JRS Enrollment Application* to enroll you in the retirement system.

The AOC will send the completed application to the Division of Pensions and Benefits for processing. When enrollment processing is complete, you and the AOC will receive a *Certification of Payroll Deductions* showing the date deductions will begin, your rate of contribution, and any back deductions that may be due.

You may wish to keep the *Certification of Payroll Deductions* on file with your other important papers so that you have a record of your enrollment in the retirement system.

Proof of Age

All members of the JRS must provide documentation that proves their age. If possible, you should provide your proof of age to the Division of Pensions and Benefits when you enroll; however, do not delay your enrollment application if proof of age is not readily available. Proof of age will be required to be eligible to retire.

Acceptable evidence of your age includes a photocopy of:

- Birth certificate — with visible seal;
- Passport;
- A U.S. Passport Card;

- A current digital New Jersey Driver License or Digital Non-driver ID Card issued by the N.J. Motor Vehicle Commission;
- A current digital Pennsylvania or New York Driver License; or
- Naturalization or immigration papers.

Unacceptable documentation includes military records indicating your age, expired documentation, out-of-state driver licenses (except PA and NY), hospital birth certificates, marriage certificates, census records, baptismal records, or affidavits from older family members.

Contribution Rate

Chapter 78, P.L. 2011, the Pension and Health Benefit Reform Law, increased the JRS member contribution rate by an *additional 9%* — to be phased-in over a seven-year period. This increase is calculated in one of two different ways depending upon when a member was enrolled in the JRS:

- **If you enrolled in the JRS on or after January 1, 1996**, your original contribution rate to the retirement system was 3% of your total base salary. Under Chapter 78, this rate increased to 4.28% of total base salary in October 2011. Beginning with the first payroll of July 2012 and each July thereafter, the rate will increase by 1.28% until a total of **12%** is reached in July 2017.
- **If you enrolled in the JRS prior to January 1, 1996**, your original contribution rate to the retirement system was 3% of *the difference* between your current salary and the salary for your judicial position as of January 18, 1982. Under Chapter 78, the additional 9% contribution is applied to *all compensation*. In calculating the increase, the phased-in 9% rate was applied to the salary *as of* January 18, 1982, **plus** a separate rate of 3% applied to the balance of salary *in excess* of the salary as of January 18, 1982. Therefore, in October 2011, the phased-in rate was 1.28% for the salary as of January 18, 1982, and 4.28% on all additional salary. Beginning with the first payroll of July 2012 and each July thereafter, the split rate will increase by 1.28% until the *total additional increase of 9%* is reached in July 2017.

Note: Each annual increase in the JRS contribution rate will also increase the minimum repayment amount for pension loans or for the cost of a purchase of service credit, if certified after the effective date of the rate change.

Tax Deferral — Since January 1987, all mandatory pension contributions to the JRS have been federally tax deferred. Under the 414(h) provisions of the Internal Revenue Code this reduces your gross wages subject to federal income tax. Purchases of service credit are voluntary pension contributions and are not tax deferred unless funded by a rollover from another tax-deferred plan (see “Rollover for Purchase Payment” on page 7).

Federal Pensionable Maximum — Since the JRS is a “qualified” pension plan under the provisions of the Internal Revenue Code, Section 401(a)(17), the current federal ceiling on pensionable compensation applies to the base salaries of JRS members.

Public Information and Restrictions

Most of the information maintained by the retirement system, including member salary and/or pension benefit information, is considered a public record under N.J.S.A. 47:1A-1 et seq., the Open Public Records Act. However, certain personal information such as a member’s address, telephone number, Social Security number, pension membership number, beneficiary information while member is living, and medical information is restricted from public access.

Further restrictions to “personal health information” exist under the privacy provisions of the federal Health Insurance Portability and Accountability Act (HIPAA). Members may be required to provide specific written authorization for the release of medical information to a third party who is not a doctor, hospital, or business partner of the Division or the health benefit programs. Information about HIPAA is available on the health benefit programs’ Web site:

www.nj.gov/treasury/pensions/health-benefits.shtml

The Division has implemented additional protection for members in accordance with the New Jersey Identity Theft Prevention Act, N.J.S.A. 56:11-28 et seq. “Security Freeze” procedures are available to restrict access to the accounts of members who are, or have a serious risk of becoming, victims of identity theft. Additional information is available in Fact Sheet #72, *Identity Theft and Your Benefits*.

BENEFITS FROM OTHER SYSTEMS

Membership in the Judicial Retirement System requires that you belong to no other retirement system during the duration of your enrollment in the JRS. You will have to cease membership in any other retirement system prior to JRS enrollment, and you cannot join any other retirement system while a member of the JRS.

If you are a member of another New Jersey State-administered retirement system at the time you become a judge, you can:

- Elect a refund of all your contributions to the prior retirement system;
- Transfer your membership by depositing all contributions from the prior retirement system into the JRS, provided the prior account has not expired, by filing an *Application for Interfund Transfer*;
- If eligible to either receive or defer retirement benefits in *another* retirement system, you can enroll in the JRS and receive a portion of the benefits, when due and payable, based upon your own contributions to the other retirement system. However, if you later elect to receive benefits from the JRS, you forfeit your right to all other retirement benefits from the prior system (you are entitled to a refund of your contributions you made to the prior system, *reduced* by the value of any benefit you have already received); or
- If at the time you become a judge you are *already receiving* a retirement allowance or pension from another retirement system, you must either:
 - Enroll in the JRS and *waive* retirement benefits from the *other* retirement system (you are entitled to a refund of your contributions you made to the prior system, *reduced* by the value of any benefit you have already received); or
 - Waive enrollment in the JRS and continue to receive the full benefit from the other retirement system. If you waive enrollment in the JRS, you cannot be enrolled in the JRS at a later date. You must file a written notification indicating your **irrevocable** intention not to enroll in the JRS. Such waivers must be filed with the JRS within 90 days from the date of your appointment.

Information regarding these options will be explained in writing at the time of your enrollment in the JRS to assist you in making the decision that best meets your needs.

SERVICE CREDIT

Since retirement benefits are based in part on accumulated service credit, it is important that you receive the correct amount of credit for the amount of time you work. Your service and contributions are reported biweekly.

- You receive *judicial* service credit equal to one biweekly pay period for each pay period a full pension contribution is made.
- You receive *non-judicial* service credit for any service (other than prior judicial service) which you are able to *transfer* from another State-administered retirement system into the JRS at the time of enrollment.

You may also be eligible to *purchase* prior service (see “Purchasing Service Credit” below).

CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides that a member who leaves employment to serve on active duty is entitled to certain pension rights upon return to employment with the same employer. If upon return — and within the time frames specified under USERRA — the member makes the pension contributions that would have been normally required, the military service will count for vesting, retirement eligibility, the calculation of the retirement benefit, and — if applicable — health benefits eligibility, as though the employee had not left.

When an employee returns from uniformed military service to JRS-covered employment, the employer should notify the Division of Pensions and Benefits no later than 30 days after the employee's return by submitting a *Request for USERRA-Eligible Service* form. Once notified, the Division will provide the employee with a quotation for the cost of the service.

There is a time sensitive element to the USERRA purchase which differs from other purchase provisions available to JRS members. For additional information, see Fact Sheet #36, *Military Service after Enrollment and USERRA*.

PURCHASING SERVICE CREDIT

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may help you to purchase additional service credit if you are eligible to do so. Only active members of the retirement systems are permitted to purchase service credit. An active member is one who has not retired or withdrawn, and who has made a contribution to the retirement system within two consecutive years of the purchase request. In no case can you receive more than one year of service credit for any calendar or fiscal year.

TYPES OF SERVICE ELIGIBLE FOR PURCHASE

The following types of service may be eligible for purchase:

- **Former Membership** in a New Jersey State-administered retirement system may be purchased at any time during your membership in the JRS.
- **Previous Service** rendered in an office, position, or employment of the State of New Jersey, or of a county, municipality, board of education, or public agency of the State of New Jersey, provided that an annual salary or compensation of at least \$500 was received.

Note: *You will receive judicial service credit for the purchase of eligible judicial service. You receive non-judicial service credit for the purchase of eligible non-judicial service*

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

The cost of a purchase is based on three factors:

- A purchase factor based on your nearest age at the time the Division receives your purchase application (see chart below);
- The higher of either your current annual salary or highest fiscal year salary (July - June) posted to your membership account; and
- The years and months of service being purchased.

The cost of the purchase will rise with an increase in your age and/or salary.

Note: Purchases of service credit are voluntary pension contributions and are not tax deferred unless funded by a rollover from another tax-deferred plan (see "Rollover for Purchase Payment" on page 7).

JRS Purchase Rate Chart			
<u>Age</u>	<u>Purchase Factor</u>	<u>Age</u>	<u>Purchase Factor</u>
40	0.0298	56	0.0939
41	0.0324	57	0.0969
42	0.0352	58	0.0994
43	0.0383	59	0.1017
44	0.0416	60	0.1035
45	0.0453	61	0.1043
46	0.0492	62	0.1051
47	0.0535	63	0.1059
48	0.0582	64	0.1067
49	0.0633	65	0.1075
50	0.0688	66	0.1083
51	0.0738	67	0.1091
52	0.0786	68	0.1100
53	0.0829	69	0.1108
54	0.0870	70	0.1116
55	0.0906		

Partial Purchases

You may purchase all or part of any eligible service. If you make a partial purchase, you may purchase any remaining eligible service at a later date. The cost of any later purchase will be based upon your age and the annual salary or highest fiscal year salary at the time of your subsequent request to purchase.

Estimating the Cost of a Purchase

To estimate the cost of a purchase, multiply the higher of your current annual salary or highest fiscal year salary times the purchase factor (see chart on page 5) corresponding to your nearest age. The result is the cost of one year of service. Multiply this cost by the appropriate number of years being purchased.

Note: The cost of a purchase of Military Service After Enrollment under USERRA (see page 4) is based on the required pension contributions for the period of military service.

Applying to Purchase Service Credit

You may obtain a quotation of the cost of purchasing additional service credit by writing to the Judicial Retirement System, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. In your correspondence be sure to include the dates of the service you are requesting to purchase, the former employer's name and address, the name of the retirement system, and the job title you held.

Upon receipt of your request and all required supporting documentation, a quotation of cost will be calculated if all purchase eligibility criteria are met. Processing times vary and a cost quotation cannot be completed until the Division receives all required verification of eligibility.

After the Division of Pensions and Benefits verifies employment, you will receive a *Purchase Quotation Letter* indicating the cost of any service approved for purchase. You must respond to the quotation letter within the specified time period.

When you agree to purchase a certain amount of service credit, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service, even if you are paying the cost through payroll deductions. Any estimates of retirement allowance you receive are based on the full amount of credit you agreed to purchase.

You may pay the cost of purchasing service credit:

- In one lump-sum payment;
- By having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of your normal rate of contribution to the retirement system over a maximum period of 10 years, and includes interest at the assumed rate of return of the retirement system ;
- By paying a single down payment and having the remainder paid through payroll deductions; or
- With a direct rollover or trustee-to-trustee transfer of tax-deferred funds from a qualified retirement plan (see "Rollover for Purchase Payment").

If you retire before completing a purchase, you may choose to receive prorated credit for the amount of service you have paid for, or you can pay the balance at the time of retirement to receive full service credit (see "Unsatisfied Balances" page 19).

A member who authorizes a purchase of service credit through payroll deductions may cancel those deductions at any time. No refunds will be made of any lump-sum payments, partial payments, or installment payments. The member will receive prorated service credit for the service purchased to the date installment payments cease. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in effect on the date that the subsequent request is received.

If you have an outstanding arrears obligation for the purchase of additional service credit, interest may be assessed if there is a lapse of two years or more in payments toward the purchase.

Rollover for Purchase Payment

Members may pay for all or part of a purchase by transferring or rolling over tax-deferred funds from an eligible or qualified retirement savings plan. The types of plans from which a transfer or rollover can be made are:

- 401 (a) qualified plan (including 401(k) plan) and 403(a) qualified annuity
- 403 (b) - Tax-Sheltered Annuity Plan
- 457 (b) - State and Local Government Deferred Compensation Plan
- IRA - With tax-deferred funds:
 - Traditional IRA
 - Simple IRA (must have been open for 2 or more years)
 - Simplified Employee Pension Plan (SEP)
 - Conduit IRA
 - Rollover IRA

Note: *The Division cannot accept rollovers from a Roth IRA or a Coverdell Education Savings Account (formerly known as an Education IRA).*

Additional information on requesting a transfer or rollover of tax-deferred funds for the purchase of service credit is included in the purchase cost quotation letter you receive upon the Division's determination of your eligibility to purchase service.

LOANS

If you are an active contributing member of the JRS, you may be eligible to borrow from your pension account.

Loans are governed by the following conditions:

- **Service Credit** — You must have three years of pension service credit **posted** to your retirement system account. Pension contributions are posted to your account on a quarterly basis. It normally takes 45 days after the end of a quarter for your contributions to be posted to your account. For example, if you enrolled in the retirement system on January 1, 2015, you would not have three years posted to your account until March 2018.
- **Number of Loans Per Year** — You may borrow twice in any calendar year. This is determined by the date of the check, not the date of the request. For example, if you make a request for a loan on December 28th but the check is dated January 6th, the loan is considered your first for the new year.
- **Loan Amount** — The minimum amount you may borrow is \$50, and loan amounts then increase in increments of \$10.

The maximum you may borrow is one-half of your contributions that are posted to your account, up to a maximum loan balance of \$50,000, whichever is less, when added to the highest balance of any loan in the last 12 months.

- **Interest Rate** — Interest is charged on the declining balance of the loan at a commercially reasonable rate set annually by the New Jersey State Treasurer. The current interest rate is posted on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

When you borrow, you will have the same interest rate for the life of your loan unless you borrow again in a different calendar year, after the interest rate has changed. Every time you borrow, the *entire* outstanding balance is re-certified at the current year's interest rate. The new loan must be repaid within five years of the original loan date.

The interest rate is determined using the Prime Rate as of December 1st of the previous year **plus** 2.5 percent.

- **Administrative Fee** — An administrative processing fee applies to all pension loans. The administrative processing fee is set annually and is based on the actual costs associated with administering the pension loan program. The current administrative processing fee is posted on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions
- **Loan Repayment** — **Loans must be repaid within five years.** The minimum deduction toward the repayment of a loan is equal to the JRS contribution rate (see page 2). The maximum allowable deduction toward the repayment of your loan is 25% of your base salary.

Provided that the minimum loan repayment amount will repay the loan balance within five years, the minimum repayment amount of a loan will be similar whether you borrow \$500 or \$5,000; however, the repayment of a larger loan will continue for a longer period of time than for a smaller loan.

Loan repayments will increase to more than the minimum deduction if the entire loan balance cannot be paid within the five year requirement (or if you have an outstanding loan and take another loan — see below).

If you have an outstanding loan balance and take another loan, the new combined loan balance must be repaid within five years of the date of the *first* loan. This means that the repayment amount may be substantially higher to ensure full repayment of the total loan balance within five years of the issuance of the original loan. Furthermore, the requested loan amount may be reduced, or the loan request may be rejected, if the payroll deductions required to repay the loan within this five-year period would exceed the 25% of salary restriction in State law.

Applying for a Loan

You may apply for a loan by submitting a *JRS Loan Application* to the Division of Pensions and Benefits.

To obtain the *JRS Loan Application*, see the Human Resources Office at the Administrative Office of the Courts, or you may print an application from the JRS home page at: www.nj.gov/treasury/pensions/jrs1.shtml

Note: *If you are applying for a loan within 6 months of returning from a leave of absence or within 6 months of transferring to a new employer or between different retirement systems, your employer must complete the certification at the bottom of the JRS Loan Application to verify your salary and/or certify that you are actively employed.*

Cancelling a Loan

If you are not satisfied with a loan amount or the repayment schedule when you receive your loan check, you may cancel the loan by **returning the original, uncashed and unmarked loan check**. When a loan check is returned, the funds are deposited back into your retirement system account and will be available with the next quarterly posting.

***Note:** By cashing the loan check you are agreeing to the loan amount and the terms and conditions of the repayment schedule.*

Early Loan Repayment

You may request a repayment figure for your full loan balance any time prior to the end of your regular repayment schedule. Only a lump-sum payoff of your full loan balance is permitted — partial payments are not allowed.

To request a lump-sum payoff, contact the Division at (609) 292-0909. The *Loan Payoff Letter* will indicate the lump-sum payoff amount, the date by which the payment must be received, and the date on which scheduled loan repayments from payroll will end.

Loans at Retirement, Death, or Termination of Employment

You may apply for a loan regardless of your age. If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. That is, your retirement allowance will be reduced by approximately the same monthly amount you were paying towards your loan just prior to retirement. You may also repay your outstanding loan balance in one lump sum prior to retirement.

If you die before repaying your loan (either before or after retirement), the outstanding balance will be deducted from the proceeds of any benefits to be paid to your beneficiaries.

If you terminate employment and withdraw your contributions before repaying your loan, all your contributions *less* the loan balance will be returned to you (see “Internal Revenue Service Requirements” below).

Internal Revenue Service (IRS) Requirements

Internal Revenue Code Section 72(p) requires that loan balances cannot exceed \$50,000 and must be repaid within five years. Furthermore, if you take a subsequent loan (or loans) and your original loan balance is not completely paid off, the repayment period will remain **five years from the date of the first loan**. The repayment rules on subsequent loans may result in either a substantial increase in your repayment amount — or may even limit the amount that you can borrow if the payroll deductions to repay the loan exceed the 25% percent of base salary restriction on loan repayments.

The IRS regulations also require members to make timely payments toward outstanding loan balances. While it is your employer’s responsibility to withhold loan deductions from your salary, if you are out of work without pay, your employer has no salary from which to take deductions. Members who leave payroll with an outstanding loan balance will be notified after three months of nonpayment and offered the option of paying off the entire loan balance or making loan repayments through a monthly personal billing. You will be required to pay your loan balance plus interest if you go off payroll. Again, the loan balance must be paid within five (5) years of the original loan. It is the member’s responsibility to ensure that the loan balance is paid in full.

Failure to repay the loan as scheduled (through either lump-sum payment, personal billing, or return to payroll) will result in the unpaid loan balance being declared in default. If a loan is in default, the loan balance is declared a taxable or “deemed distribution” and will be reported to the IRS. For the tax year in which the default occurs, the Division of Pensions and Benefits will send you a *Form 1099-R* for tax filing purposes in January of the following year. You will be required to include the portion of the loan representing before-tax contributions as income on your federal return. In addition, if you are under age 59½, you will be required to pay an additional 10 percent tax for taking an early pension distribution.

If you default on your loan, it will be your responsibility to make an estimated tax payment to the IRS to cover your tax liability on the deemed distribution; no withholding will be deducted from your account by the Division.

Note: *Paying taxes on a defaulted loan balance does not negate the balance; you are still responsible for paying the loan balance and any interest that accrues on it to be paid within the remaining period left in the original five-year schedule. Any repayments will be returned to your account as after-tax contributions.*

A deemed distribution cannot be canceled by resuming your loan payments or repaying the loan in full prior to the end of the tax year in which the default occurs. If you resume your loan repayments after the default, the payments received will be posted to your account as already-taxed contributions that will increase the nontaxable portion of your pension at retirement. You may not take another loan until the deemed distribution is paid off.

Unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or other qualified retirement plan.

SUPPLEMENTING YOUR PENSION

In addition to your regular pension contributions, there are other opportunities to supplement your retirement income and possibly set aside money on a tax-deferred basis.

New Jersey State Employees Deferred Compensation Plan

As an employee of the State, you may be eligible for the New Jersey State Employees Deferred Compensation Plan (IRC Section 457). Contributions to the plan are not subject to federal income tax until you take a distribution from the plan, either at retirement or termination before retirement. The main benefits of the plan are to help you save on federal income tax now and to supplement your retirement income through investments.

For plan and investment information, visit the State Employees Deferred Compensation Plan Web site at: www.prudential.com/njsedcp or call 1-866-NJSEDCP (1-866-657-3327). Other information about the plan is available by writing to: *Division of Pensions and Benefits, New Jersey State Employees Deferred Compensation Plan, PO Box 295, Trenton, NJ 08625-0295.*

Supplemental Annuity Collective Trust (SACT)

The Supplemental Annuity Collective Trust (SACT) is a voluntary investment program that provides retirement income separate from, and in addition to, your basic pension plan. Your contributions are invested conservatively in the stock market. The SACT-Regular Plan is available to all actively contributing members of a New Jersey State-administered retirement system. Contributions to this plan are made after deductions for federal income tax.

SACT brochures and enrollment packets are available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions/sact.shtml

You can also contact the SACT office by writing to: *Division of Pensions and Benefits, Supplemental Annuity Collective Trust, PO Box 295, Trenton, NJ 08625-0295.*

Group Variable Universal Life Insurance Investment Options

See page 28 for information on this after-tax investment program available to JRS members.

RETIREMENT

Types of Retirement

There are several types of JRS retirement to meet your individual needs. Keep in mind that **retirement from the JRS is mandatory at age 70.**

JRS retirements are calculated using a combination of your age at retirement, your total years of judicial service credit and/or non-judicial service credit, and your Final Salary.

Definitions

‘Judicial Service’ means your years of service as a judge under the Judicial Retirement System.

‘In the Aggregate of Public Service’ means your total years of **both judicial and non-judicial** service credit in the JRS. This would include service transferred into JRS from another New Jersey retirement system.

‘Final Salary’ means the salary on which your JRS pension contributions are based as of the date of your retirement.

Service Retirement

Service Retirement is the type of retirement for which most members qualify.

Service Retirement with only Judicial Service

If you retire at:

- **Age 70** with **10** or more years of *judicial* service; or
- **Age 65–69** with **15** or more years of *judicial* service; or
- **Age 60–64** with **20** or more years of *judicial* service;

Your annual benefit is calculated at **75% x Final Salary.**

Service Retirement with Judicial Service and Non-Judicial Service

If you retire at:

- **Age 65** or older with **15** or more years *in the aggregate of public service* of which five or more consecutive years were *judicial* service; or
- **Age 60** or older with **20** or more years *in the aggregate of public service* of which five or more consecutive years were *judicial* service;

Your annual benefit is calculated at **50% x Final Salary.**

If you retire at age 60–64 with **15** years or more *in the aggregate of public service* of which five or more consecutive years were *judicial* service, your annual benefit is calculated as follows:

- **2% x Final Salary** x the number of years of service *up to 25* years; **plus**
- **1% x Final Salary** x the number of years of service *over 25* years.

If you retire at age 60 or older and do not meet the minimum amounts of service credit listed above, your annual benefit is calculated as follows:

- **2% x Final Salary** x the number of years of *judicial service up to 25 years*; **plus**
- **1% x Final Salary** x the number of years of service *over 25 years*.

Early Retirement

If you wish, you may retire before age 60 and receive a reduced benefit, provided you have:

- **Five** or more consecutive years of *judicial service*; **and**
- **25** or more years *in the aggregate of public service*.

In this case, your benefit will be calculated as follows:

- **2% x Final Salary** x the number of years of service *up to 25 years*; **plus**
- **1% x Final Salary** x the number of years of service *over 25 years*; **and**
- Then actuarially reduced for the number of months remaining until you are **age 60**, to cover the cost of paying your benefit over a longer period of time.

Deferred Retirement

If you leave the JRS before you are eligible for a Service or Early Retirement and you are under the age of 60 you may still have a right to a retirement benefit. This is known as Deferred Retirement.

You are eligible for a Deferred Retirement if you leave after completing:

- **Five** or more consecutive years of *judicial service*, **and**
- **10** or more years *in the aggregate of public service*.

Your Deferred Retirement benefit is calculated in the same way as an Early Retirement, taking into account your salary and service when you leave. However, your Deferred Retirement benefit is not reduced since it is not payable until you reach age 60.

You must file an *Application for Retirement Allowance* for the Deferred Retirement to take effect. You may apply for a Deferred Retirement when you terminate covered employment or any time prior to attaining the JRS Deferred Retirement age of 60. Under no circumstances can a Deferred Retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.

If a member is removed from employment for cause, the member will be **ineligible** for Deferred Retirement.

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump-sum withdrawal of all your pension contributions instead. However, once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership in the retirement system end.

Please note the following important information about your life insurance, health benefits coverage, loans, and purchase arrears if you are considering a Deferred Retirement:

- **Life Insurance** — Your group life insurance coverage will end 31 days after you terminate employment and will not be in effect until your Deferred Retirement becomes payable. If you die before your Deferred Retirement becomes effective, the last named beneficiary will receive a return of your pension contributions. There is no group life insurance benefit under these circumstances.

However, during the 31-day period after you terminate employment you may convert your group life insurance coverage to a private policy with Prudential Financial. For more information see “Conversion: Retirement” on page 33.

In addition, if you have the Group Variable Universal Life Insurance, you have the option to keep it in effect by remitting premiums directly to Prudential. If you do so, that policy, and the value of any supplemental investments you made, would be payable upon your death.

- **Health Benefits** — JRS members who are electing a Deferred Retirement cannot normally transfer their active health care coverage to the retired group of the State Health Benefits Program (SHBP); however, members electing Deferred Retirement may be eligible for continuation of SHBP coverage under the federal COBRA* legislation for up to 18 months if they were covered by the SHBP just prior to terminating employment. If the actual retirement commences while the 18 months of COBRA coverage is in effect, the retiree may then transfer from the COBRA coverage and continue the SHBP coverage into retirement. If the 18 months of COBRA coverage ends before the retirement commences, the member will not be entitled to maintain health coverage through the SHBP. Participants should contact the Human Resources Office at the Administrative Office of the Courts to see if they qualify for COBRA continuation.
- **Loans** — If you terminate employment, failure to repay a pension loan as scheduled may result in the unpaid loan balance being declared a taxable distribution that will be reported to the IRS. See page 9 for more information about the IRS regulations regarding the repayment of pension loans.
- **Purchase Arrears** — If you have an outstanding arrears obligation for the purchase of additional service credit, interest may be assessed if there is a lapse in payments of two years or more. Purchases will be cancelled after two years without payments and the service credit pro-rated. Members returning to employment can request to have the original purchase resumed.

Disability Retirement

For your added security, the JRS provides an income if you become disabled before qualifying for a Service, Early, or Deferred Retirement.

You are considered disabled if:

- You are physically or otherwise incapacitated for full and efficient service to the State in a judicial capacity as determined by three physicians appointed by the Governor; and
- Your disability is certified by the Supreme Court and approved by the Governor.

If certified, your Disability Retirement benefit will be calculated at **75% x Final Salary**.

The effective date of a Disability Retirement is determined by the Administrative Office of the Courts.

A *Disability Retirement Application* must be on file with the Judicial Retirement System at least 30 days prior to any effective date of a Disability Retirement. However, the retirement date cannot be earlier than the date of approval by the Governor.

Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for JRS Disability Retirement.

*The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985.

OPTIONAL SETTLEMENTS AT RETIREMENT

Upon your death as a retired member of the JRS, your surviving spouse, civil union partner, or eligible domestic partner (see definitions on page 25) receives a statutory survivor benefit equal to 25% of your Final Salary. Dependent children are also eligible to receive a statutory survivor benefit. These statutory benefits, along with group life insurance benefits, are described in detail beginning on page 25.

In addition to the statutory survivor benefits for an eligible spouse/partner and/or dependent children, you may also elect one of eight voluntary pension options that provide a pension benefit to a named beneficiary of your choice. Selecting a pension option will reduce your monthly retirement allowance. The amount of this reduction depends on which option you select. Regardless of the payment option you select, your retirement benefits are paid during your lifetime (see exceptions on page 22).

Please be sure that you understand the different payment options available to you because **once your retirement becomes “due and payable,” you cannot change your option selection.**

- “Due and payable” is defined as 30 days after your retirement date.

Note: *whether or not you take an optional settlement at retirement, the statutory survivor benefit for an eligible surviving spouse/partner and/or dependent children remains in effect (see page 25).*

- **Maximum Option** — also called a single-life annuity, is the highest amount payable and provides a retirement benefit to you for the remainder of your life. If you are not concerned with providing either a lump-sum benefit or providing a monthly income to another person after your death, the Maximum Option may be the most appropriate payment choice for you. Upon your death, benefits end and your survivors do not receive a pension allowance other than those provided under the statutory survivor benefits (see page 25).

If there is no surviving spouse/partner or child to receive the statutory survivor benefit and you die before receiving, through your retirement allowance, the amount that you contributed to the retirement system while working (including interest on those contributions), the balance of your contributions will be paid to your named beneficiary or your estate.

Options other than the Maximum

Under Options A, B, C, or D you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, a beneficiary you name will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary. Under Options A, B, C, and D, if your beneficiary dies before you, your retirement allowance will increase to the Maximum Option.

- **Option A** — also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. Due to Internal Revenue Code restrictions, this option cannot be selected for a non-spousal beneficiary more than 10 years younger than you.

- **Option B** — also called a 75% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 75% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. Due to Internal Revenue Code restrictions, this option cannot be selected for a non-spousal beneficiary more than 19 years younger than you.
- **Option C** — also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive half of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.
- **Option D** — also called a 25% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 25% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.
- **Option 1** — provides a lifetime monthly payment to you. Your retirement allowance is reduced from what you could collect under the Maximum Option. It is also different from the Maximum Option in that it may provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the amount expected to be paid to you in retirement benefits over your lifetime is calculated. This is called your retirement reserve. If you die before you receive monthly retirement benefits equal to your retirement reserve, your beneficiary is entitled to the balance. If you exhaust your initial reserve, you will continue to receive your monthly retirement allowance for the rest of your life.

You may name more than one beneficiary for this option and you can change your beneficiary at any time. Your beneficiary may be a person, a charity, an institution, or your estate.

For example: if your monthly retirement allowance is \$6,000 and your retirement reserve is \$547,200, your beneficiary would be entitled to the following payment depending on your time of death (16 or 120 months after retirement as shown below).

Retirement Reserve	\$547,200	Retirement Reserve	\$547,200
Retirement Benefits Paid (Death at 16 Months)	\$ 96,000	Retirement Benefits Paid (Death at 120 Months)	\$720,000
Beneficiary Benefit	\$451,200	Beneficiary Benefit	\$ 0

Since the retirement reserve is based on your retirement allowance and your life expectancy, your own reserve may be much different than this example.

Under Options 2, 3, or 4 you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary. Under Options 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced level.

- **Option 2** — also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. Due to Internal Revenue Code restrictions, this option cannot be selected for a non-spousal beneficiary more than 10 years younger than you.
- **Option 3** — also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive one-half of your monthly retirement allowance for life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed after retirement.
- **Option 4** — if the preceding payment options do not meet your financial needs, you may want to consider this option. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive whatever monthly allowance you decide for life (this can be no more than your own allowance). You can name one beneficiary or multiple beneficiaries to receive this benefit and the beneficiary(ies) can never be changed after retirement.

***Note:** Because of the number of different possibilities available with Option 4, calculation of the benefit must be performed by the Judicial Retirement System's consulting actuary. Members should allow for additional processing time for Option 4 calculation.*

Should a member apply for retirement, other than a Deferred Retirement, and die prior to the retirement becoming effective, the eligible surviving spouse/partner and/or retirement option beneficiary may choose between the active death benefits (survivor's benefit, active life insurance, return of pension contributions) or the retired death benefits (survivor's benefit, retired life insurance, retired optional settlement).

Age Limits on Nonspouse Beneficiaries

For all options, you can name your spouse as your beneficiary regardless of your spouse's age. For Options C, D, 1, or 3, you can name someone other than your spouse as beneficiary regardless of age.

***Note:** Because the Internal Revenue Service is a federal agency, a civil union partner or domestic partner as defined under New Jersey State law does not qualify as a "spouse" under these circumstances and would be subject to the age limitations described.*

For Options 2, A, or B, if you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary:

For Options 2 and A (100% to beneficiary):

- If you are age 70 or older at retirement, your nonspouse beneficiary can be no more than 10 years younger than you.
- If you are under age 70 at retirement, determine:
 - 1.) the number of years difference between your age at retirement and age 70; and
 - 2.) the number of years difference between your age at retirement and the age of your non-spouse beneficiary.

Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 10 years younger than you.

For Option B (75% to beneficiary):

- If you are age 70 or older at retirement, your nonspouse beneficiary can be no more than 19 years younger than you.
- If you are under age 70 at retirement, determine:
 - 1.) the number of years difference between your age at retirement and age 70; and
 - 2.) the number of years difference between your age at retirement and the age of your non-spouse beneficiary.

Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 19 years younger than you.

If you name a nonspouse beneficiary under Option 4, and the dollar amount of your beneficiary's pension is more than half of your allowance, restrictions on your beneficiary's age apply.

THE RETIREMENT PROCESS

The time frames in this section serve as a guide to help you understand the retirement process. Actual processing times, however, may vary and cannot begin until the Division of Pensions and Benefits receives all the necessary information and forms from both you and the Administrative Office of the Courts.

6-8 Months before Retirement

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. **You should inquire about retirement at least six months before your retirement date.**

Retirement Estimates — You may request an estimate of your JRS retirement benefits by writing to the Judicial Retirement System, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295, or calling (609) 292-0909. The estimate will provide you with the retirement allowance available and your lump-sum death benefits.

4-6 Months before Retirement

Retirement Applications — It is your responsibility to file an *Application for Retirement Allowance* with the Division of Pensions and Benefits. You can submit your application no more than one year before your retirement date — and as late as the last business day prior to your retirement date — but four to six months advance filing is recommended.

- You can obtain an *Application for Retirement Allowance* form and instructions from the Human Resources Office at the Administrative Office of the Courts or by printing the application from the Division's Web site at: www.nj.gov/treasury/pensions
- You can obtain an *Application for Disability Retirement* by contacting the Judicial Retirement System Administrator at (609) 292-0909 or from the Administrative Office of the Courts.

All retirements are effective on the first of a month (except Mandatory Retirement which is effective on the judge's 70th birthday, and Disability Retirement which is determined by the Administrative Office of the Courts). Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.

Processing times vary and cannot begin until the Division has received all the necessary information and forms from both you and the Administrative Office of the Courts.

- If you have not furnished proof of your age to the Division of Pensions and Benefits, you must do so when applying for retirement (see page 1 for acceptable proofs of age). Proof of age for your beneficiary is required if you choose Options A, B, C, D, 2, 3, or 4. If any proof of age documents are given under a maiden name, please identify them as such. Attach photocopies of any proof of age documents to your retirement application, as we cannot guarantee that original documents will be returned. Please also be sure to write your pension membership number or the last four digits of your Social Security number on all documentation that you submit. **Your retirement application will not be processed until the Division receives copies of birth date evidence.**
- Ask your Human Resources Office at the Administrative Office of the Courts to submit a *Certification of Service and Final Salary* to the Division of Pensions and Benefits.
- **The designation of a beneficiary** named on an *Application for Retirement Allowance* that is filed with and accepted by the Division of Pensions and Benefits supersedes *any* older designation of beneficiary on file. The designation is effective upon acceptance by the Division, even if the retirement date on the application is in the future *or* the member later cancels the retirement application.

You will be sent a letter acknowledging receipt of your retirement application by the Division of Pensions and Benefits.

Life Insurance — The amount of your life insurance coverage through the JRS decreases at retirement or terminates if you have less than 10 years of service credit. You may convert the dollar difference between the group coverage you had before retirement and the group coverage you will have after retirement to a non-group life insurance policy. *To protect your conversion privilege it is suggested that you apply for conversion of your insurance at the time you file your retirement application with the Division of Pensions and Benefits (however, you cannot file to convert your life insurance any earlier than six months prior to your retirement date).* While sending the application and premium to Prudential will protect your conversion privilege, under no circumstances can the conversion policy become effective until 31 days after you cease employment.

See “Conversion of Group Life Insurance” on page 32 and Fact Sheet #13, *Conversion of Group Life Insurance*, for details.

Other Retirement Plans — If you participate in other retirement savings plans, you must inform them separately of your plans to retire:

- Contact the **State Employees Deferred Compensation Plan** at 1-866-NJSEDCP if you participate in the plan.
- Contact the **Supplemental Annuity Collective Trust (SACT)** at (609) 292-7524 if you participate in SACT.

Approximately 3 Months before Retirement

Health Benefits Coverage at Retirement — JRS members, who are eligible for State Health Benefits Program (SHBP) coverage until their retirement date, will be offered SHBP coverage for themselves and their eligible dependents when they retire.

If you had 25 or more years of service credited in the JRS before July 1, 1997, the State of New Jersey agreed to pay the full health benefit cost. In addition, you will be reimbursed for the cost of any Medicare Part B premiums paid by you and/or your covered spouse. **If you attain 25 years of service after July 1, 1997**, or retire on a Disability Retirement *after* August 1, 1997, you may share in the health insurance costs according to the rules of the State Health Benefits Commission for non-aligned employees, in effect at the time you reach your 25 years of credited service or retire on a disability. The amount of your Medicare Part B reimbursement will also be stipulated in Commission rules: if you started to work for the State after July 1, 1997, you will not be reimbursed for Part B Medicare premiums when you retire.

JRS members who do not retire on a disability retirement, or do not have 25 or more years of service credit at the time of retirement, must pay the **full cost** for retired group SHBP coverage. Premiums are normally deducted from the monthly pension check; if your monthly check is not sufficient to cover the premium, you will be billed on a monthly basis.

Note: *If you are enrolled in coverage as an active State employee, your coverage will automatically be continued into retirement. You do not need to complete an application.*

If you are 65 or older, contact your local Social Security Administration office for full Medicare enrollment. You must be covered by both Part A and Part B of Medicare to be eligible to enroll in the SHBP at retirement.

If you do not qualify for retired group SHBP coverage under the criteria listed above, see your Human Resources Office to explore other options that may be available for continuing your health coverage.

Approximately 2 Months before Retirement

You will receive a *Quotation of Retirement Benefits* letter which shows your monthly retirement allowance with:

- Statutory survivor benefits;
- Any pension option you selected;
- A quote of any outstanding loan balance with repayment options; and
- Any other unsatisfied balance on your account (see below).

Unsatisfied Balances

Loans — If you retire with an outstanding loan balance, you may:

- Pay the loan in full prior to receiving any retirement benefits; or
- Continue your monthly loan repayment schedule, plus interest, into retirement.

Purchase Arrears — When you apply for a purchase of service credit, the Division of Pensions and Benefits assumes that the obligation will be paid before your retirement. Therefore, your account is credited with the full amount of service you have agreed to purchase. If this obligation has not been fully paid when you retire, your *Quotation of Retirement Benefits* will state the balance of your arrears (purchase) as of your retirement date. At that time, you must pay the balance of your arrears. If you do not pay off the balance, the service credit which has not been paid for will be subtracted from your total years and months of service. This will reduce the amount of your retirement allowance and **may even affect your eligibility to retire.**

For Deferred Retirees who have an outstanding arrears obligation for the purchase of additional service credit, interest may be assessed if there was a lapse in payments of two years or more.

Shortages — A shortage in your pension account occurs when your employer does not deduct the proper pension contribution from your salary. You will be notified by the Division of Pensions and Benefits of the amount of any shortage. You are responsible for payment of any shortages at retirement.

No retirement will be paid until purchase arrears and shortage obligations have been satisfied.

AFTER YOUR RETIREMENT DATE

Statement of Retirement Allowance — You will receive a letter confirming your retirement and death benefits. The letter will also supply figures needed in filing your income tax return. Keep this with your important papers.

- You have 30 days from your effective retirement date to request any change to your retirement date, option selection, or option beneficiary. If you wish to make a change, it may delay your first retirement check.
- You may choose to cancel your retirement within 30 days of your retirement date. This request must be in writing to the Division of Pensions and Benefits. **Cancelling your retirement does not guarantee continued employment with your employer.**

***Note:** Members who are approved for Disability Retirement cannot cancel their retirement.*

Retirement Checks — Your first retirement check cannot be issued earlier than 30 days following your retirement date. If processing of your retirement is delayed, your first check will be retroactive to the date of your retirement.

Regular retirement checks are dated on the first of the month to cover the allowance for the previous month. For example, if you retire on July 1st, your first retirement check would be due and payable on August 1st and is payment for the month of July.

Due and Payable — Your retirement becomes “due and payable” 30 days after your retirement date.

Once your retirement becomes “due and payable” you cannot change your retirement date, option selection, or option beneficiary.

***Note:** If you return to a JRS eligible position before 30 days have elapsed, on either a paid or voluntary basis, your retirement may be considered invalid and you could be required to reimburse the retirement system and reenroll in the JRS (see ‘Employment after Retirement’ on page 25 for additional requirements of a valid retirement).*

Change of Address — Although retirement checks can be forwarded to a new address, it is important that you inform the Division of Pensions and Benefits of the change:

- Notify the Division of a change of address by calling (609) 292-7524.
- Write to the Division about a change of address. Be sure to include your new address **and** your retirement number or the last four digits of your Social Security number.

Direct Deposit/Electronic Funds Transfer (EFT) — **Direct deposit of retirement checks is mandatory.** Direct deposit will prevent your retirement checks from being lost, stolen, or delayed in the mail.

The *Authorization of Direct Deposit* form is included in the *Application for Retirement Allowance* packet. If you did not include the form when you applied for retirement, the form will be mailed to you for completion.

Please allow approximately 60 days for a new direct deposit, or changes to an existing direct deposit, to begin.

Withholding Federal and NJ State Income Tax — The Division of Pensions and Benefits will provide for the withholding of federal and New Jersey State income tax from your retirement check.

The Division is obligated to withhold federal income tax unless you file a *Form W-4P* instructing us not to do so. The default withholding status for federal income tax is “married” with “three dependents” regardless of your actual marital status or number of dependents.

New Jersey income tax withholding is voluntary, and none will be withheld unless you instruct us to do so. Please keep in mind that if you live outside New Jersey your retirement benefits are not subject to New Jersey State income tax, but may be subject to state or local taxes in the jurisdiction in which you reside. There is no provision for withholding any local or out-of-state taxes.

New retirees will automatically receive a federal *Form W-4P* and New Jersey *Form NJ W-4P* for withholding income tax. After that, you may obtain these forms by calling or writing the Division of Pensions and Benefits, or printing the forms from the Division’s Web site at: www.nj.gov/treasury/pensions

The Division of Pensions and Benefits cannot provide tax advice.

- Questions about your federal income tax should be directed to the Internal Revenue Service at 1-800-TAX-1040.
- Questions about New Jersey income tax should be directed to the New Jersey Division of Taxation at 1-800-323-4400.

Federal Income Tax after Retirement — Every January, the Division of Pensions and Benefits issues each retiree an annual *Form 1099-R* reflecting the taxable retirement allowance paid during the preceding tax year. The degree to which your pension is taxed depends on whether or not the payments you receive have been previously taxed. Employee contributions made prior to 1987 were made with after-tax dollars. That is, they were federally taxed prior to being made. Contributions for the purchase of service credit are also made with after-tax dollars unless funded by a rollover from another tax-deferred plan.

If you began contributing to the pension plan in 1987 or after, and you have not made a purchase of service credit, your entire pension is subject to federal income tax because your contributions have never been taxed.

If you contributed to the pension plan before 1987, or if you have made a purchase of service credit since 1987, your pension is immediately taxable based on the “expected return rule.” Part of your retirement allowance comes from your own pension contributions that were already taxed, and the Internal Revenue Service (IRS) allows you to recover these contributions tax-free. This recovery is spread out over your expected lifetime or the combined lifetime of you and your beneficiary, according to IRS life expectancy tables. This means that a small “tax-exclusion amount” of each monthly retirement check is tax-free. The remainder of the monthly benefit is subject to federal income tax.

JRS Disability Retirement benefits are subject to federal tax to the same extent as other pensions.

Any federal tax questions should be referred to the IRS at 1-800-TAX-1040.

NJ State Income Tax after Retirement — If you live in New Jersey, you will be subject to New Jersey State income tax when you have recovered in pension checks the amount of pension contributions you made to the retirement system while working. However, if you will not recover your total contributions within three years of retirement, contact the New Jersey Division of Taxation at 1-800-323-4400, or see the *NJ Gross Income Tax Return Form 1040* instructions to determine how your pension is taxed.

If you are receiving a Disability Retirement allowance, your pension is exempt from New Jersey income tax if you are under age 65. When you reach age 65, your disability pension is treated as a regular pension and is considered taxable for New Jersey income tax.

Cost-of-Living Adjustment — Chapter 78, P.L. 2011, the Pension and Health Benefit Reform Law, **suspended Cost-of-Living Adjustments (COLA) for retirees of all retirement systems** — including the JRS. Please note, however, that there is no reduction to any COLA increases that were *already* added to retiree benefits prior to June 28, 2011, the effective date of the law.

Prior to the suspension of COLA, the Pension Adjustment Program provided an annual Cost-of-Living Adjustment to retirees and their survivors who received a monthly retirement allowance from the JRS. The COLA was based on the initial retirement allowance; however, if the retiree selected Option 1, the COLA was calculated using the Maximum Option amount.

Prior Cost-of-Living Adjustments are shown under the Current Earnings section of the retirement benefit *Statement of Allowances and Deductions* (check or EFT stub).

For additional information about COLA — including calculation examples — see Fact Sheet #18, *Cost-of-Living Adjustments*.

Social Security — Your pension is not reduced by any Social Security benefits you may receive (see “Social Security Earnings Test” on page 25).

REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you will receive retirement benefits as long as you live. Your benefits, however, could be reduced or suspended if:

- You return to a position covered by the JRS (other than for per diem recall as described in “Employment after Retirement” on page 25).
- You become mentally or physically incompetent. Your benefits will not be reinstated until a legal representative has been appointed.
- You have an outstanding arrears balance or a shortage at the time of your retirement.
- You waive your right to a portion of any pension to which you are entitled.
- You are incarcerated (although the State House Commission may permit the continuance of your benefits to your dependents).
- An accounting error is made and the JRS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are: tax liens imposed by the federal Internal Revenue Service, and court orders for child support, alimony, or equitable distribution.

A court order is effective only when you withdraw your funds or when you begin to receive monthly retirement payments. **It is the responsibility of the member** to be certain that the Division is provided with copies of all court orders, and to comply with them.

Divorce or Dissolution of a Civil Union/Domestic Partnership

The retirement system will implement matrimonial/civil union dissolution court orders granting alimony, child support, or equitable distribution.

Matrimonial/civil union dissolution orders regarding your withdrawal from the retirement system will take effect if you voluntarily apply to withdraw your JRS account (see page 34).

Matrimonial/civil union dissolution orders regarding your retirement will not take effect until you retire and begin receiving a monthly retirement allowance. The court order can designate a specific dollar amount or percentage, or a percentage based on the number of years of pensionable service you accrued during the marriage/civil union, to be withheld from your retirement allowance. The amount withheld is sent directly from the Division of Pensions to your former spouse/partner unless the order specifies another payee (i.e. a probation department). Any court-ordered withholding paid to your former spouse/partner from your retirement allowance will terminate upon your death or the death of the former spouse/partner.

If the former spouse/partner is designated as the beneficiary under a JRS pension option, the surviving divorced spouse/partner is entitled to the survivor's benefit for as long as he or she lives. If another person is designated beneficiary of the pension option, the divorced spouse/partner cannot receive any equitable distributions from the survivor's benefit.

Group Life Insurance — In cases of divorce or dissolution, N.J.S.A. 3B:3.14 states that even if your *Designation of Beneficiary* form indicates a former spouse/partner and/or relatives of the former spouse/partner as beneficiaries for life insurance (and/or return of pension contributions if an active employee), they cannot receive the benefit. Therefore, the pension and/or life insurance proceeds become payable to your remaining primary beneficiaries, if any, contingent beneficiaries, if any, or your estate. However, the following exceptions will be honored and considered valid:

- Court orders are filed that specifically designate your former spouse/partner to receive an active pension and/or life insurance benefit; or
- You file a *Designation of Beneficiary* after the final date of judgment that names your former spouse/partner and/or relatives of your former spouse/partner as the active pension and/or life insurance beneficiary.

Misconduct

The receipt of retirement benefits is expressly conditioned upon the rendering of honorable service by a public officer or employee. Your benefits may be reduced or forfeited if you are convicted of a crime in any way related to your employment, or if you are suspended or dismissed from your employment.

In accordance with N.J.S.A. 43:1-3.1, the court may order the forfeiture of all or part of the retirement allowance in certain cases.

Also, in accordance with N.J.S.A. 43:1-3, the State House Commission is required to order the forfeiture of all or part of the retirement allowance of a member for misconduct during public service, which renders the service, in whole or in part, dishonorable. The State House Commission evaluates the member's disciplinary and/or criminal charges using the following 11 factors to determine whether the member's public service is considered honorable:

1. The employee's length of service;
2. The basis for retirement, i.e., age, service, disability, etc. (includes the effective date of retirement);

3. The extent to which the employee's pension has vested;
4. The duties of the particular employment;
5. The employee's public employment and service (includes the date of last pension contribution);
6. The employee's other public employment and service, if any;
7. The nature of the misconduct or crime, including the gravity or substantiality of the offense, whether it was a single or multiple offense, and whether it was continuing or isolated;
8. The relationship between the misconduct and the employee's public duties;
9. The quality or moral turpitude or the degree of guilt and culpability, including the employee's motives and reasons, personal gain, and the like;
10. The availability and adequacy of other penal sanctions; and
11. Other personal circumstances relating to the employee bearing upon the justness of the forfeiture.

The Division of Criminal Justice in the Department of Law and Public Safety, and the County and Municipal Prosecutor's Offices, are required to inform the Division of Pensions and Benefits whenever a public official or employee is prosecuted or convicted. State and local public employers are also required to notify the Division of Pensions and Benefits whenever a public employer takes formal disciplinary action to remove a member from public office or employment for cause on charges of misconduct or delinquency. In these cases, the State House Commission will consider all relevant documentation to render a determination on any appropriate action.

The State House Commission will suspend processing of a member's application for retirement pending the receipt of the final disposition of charges against the member. All claims for retirement, death benefits, or the return of the member's contributions cannot be processed until the criminal or administrative matter has been resolved to the satisfaction of the State House Commission. The Division will postpone action on all claims where there is pending litigation against the member's employment. In this case, the Division will hold all applications or requests in abeyance until such time as the matter is fully resolved. Once all the required information is provided to the Division, the State House Commission will consider each case on its own merits.

New Jersey law stipulates that a retired member is not eligible to collect retirement benefits if the retiree is confined in a penal institution as a result of a conviction of a crime involving moral turpitude. The law provides that an eligible dependent may continue to collect a retirement benefit if they can prove to the satisfaction of the State House Commission that they rely on the retiree's benefits for their maintenance.

The member should contact the State House Commission, in writing, if any of the conditions listed above should occur in order to obtain more specific instruction on how to proceed.

For additional information, see Fact Sheet #76, *Honorable Service*, which is available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

EMPLOYMENT AFTER RETIREMENT

Working for private industry or the federal government after retirement will not affect your JRS retirement benefits, **with the exception that:**

- No member, while receiving a pension or retirement allowance from the JRS, shall engage in the practice of law before any of the courts of this State.

Most JRS members will not resume public employment in New Jersey after retirement. For those who do, please see Fact Sheet #86, *Post-Retirement Employment Restrictions*, at:

www.nj.gov/treasury/pensions/fact-sheets.shtml

Disability Retirees Restored to Active Service

Before returning to active service, JRS disability retirees must first prove to the satisfaction of the State House Commission that they are no longer disabled. When you return to active service, you enroll again in the retirement system. Deductions for pension are resumed and you are treated as an active member in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

Social Security Earnings Test

There is an earnings test for people receiving Social Security benefits under the normal retirement age (age 65 to 67 depending on year of birth). Check with the Social Security Administration at 1-800-772-1213 for information on their earnings limit.

ACTIVE AND RETIRED STATUTORY DEATH BENEFITS

Upon your death, as an active or retired JRS member, the following benefits are payable:

- A statutory benefit paid monthly to a surviving spouse, civil union partner, or eligible domestic partner and/or dependent children (or dependent parents of active members); and
- Group Life Insurance.

Retired members may also elect to provide an **optional pension benefit** to a designated beneficiary.

The statutory benefit to a spouse/partner and/or children is described in the next section. The description of group life insurance begins on page 27. The optional pension benefits available to retired members are described beginning on page 14.

Payment of Statutory Death Benefits

The terms used in the explanation of the statutory death benefits are explained here:

‘Spouse’ — A person to whom you were married for at least four years prior to the date of your death (see note) and who has not remarried or entered into a civil union. A photocopy of the *Marriage Certificate* is required for verification.

‘Civil Union Partner’ — A person of the same-sex as defined by Chapter 103, P.L. 2006, with whom you were partnered in a civil union for at least four years prior to the date of your death (see note) and who has not entered into a new civil union or married. A photocopy of the *New Jersey Civil Union Certificate* or a valid certification from another jurisdiction that recognizes same-sex civil unions is required for verification. See Fact Sheet #75, *Civil Unions*, for details.

'Domestic Partner' — A person of the same-sex as defined by Chapter 246, P.L. 2003, with whom you were partnered in a domestic partnership for at least four years prior to the date of your death (see note) and who has not entered into a civil union or married. A photocopy of the *New Jersey Certificate of Domestic Partnership* dated prior to February 19, 2007, or a valid certification from another jurisdiction that recognizes same-sex domestic partners is required for verification. See Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for details.

Note: *In cases of death as a result of an accident during the performance of regular or assigned duties, and provided death is not a result of willful negligence, the four year marriage/partnership requirement is waived.*

'Child' — Your unmarried child:

- Under the age of 18; or
- Under the age of 21 and attending school full time; or
- Any age who, at the time of your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last or be expected to last for a continuous period of not less than 12 months as determined by the Medical Review Board.

'Parent' — Your parent(s) who received at least one-half support from you in the 12 months immediately preceding your death.

'Final Salary' — For the purpose of the statutory death benefit, "Final Salary" means the current salary for the judicial position in which you served at the time of death or retirement.

Active Members

Upon your death as an active member, your eligible surviving spouse/partner receives a statutory pension benefit equal to 25% of your Final Salary,

plus

- 10% of Final Salary to one dependent child; or
- 15% of Final Salary divided evenly among two or more dependent children.

If there is no surviving spouse/partner, or your spouse/partner dies, remarries, or enters into a civil union, the following benefit is payable to your eligible children:

- 15% of Final Salary to one dependent child; or
- 20% of Final Salary divided evenly between two dependent children; or
- 30% of Final Salary divided evenly among three or more dependent children.

If there is no surviving spouse/partner or dependent child(ren), a pension is paid to your eligible parent(s) as follows:

- 20% of Final Salary to one dependent parent; or
- 30% of Final Salary divided evenly between two dependent parents.

If there is no surviving spouse/partner, child(ren), or parent(s), the member's contributions are paid to your named beneficiary. In the event a specific beneficiary is not named, the funds will be paid to your estate.

Retired Members

Upon your death as a retired member, your eligible surviving spouse/partner receives a pension benefit equal to 25% of your Final Salary,

plus

- 10% of Final Salary to one dependent child; or
- 15% of Final Salary divided evenly among two or more dependent children.

If there is no surviving spouse/partner, or your spouse/partner dies, remarries, or enters into a civil union, the following benefit is payable to your eligible children:

- 15% of Final Salary to one dependent child; or
- 20% of Final Salary divided evenly between two dependent children; or
- 30% of Final Salary divided evenly among three or more dependent children.

Continuation of State Health Benefits Program Coverage

For active or retired JRS members, a surviving spouse/partner may continue health coverage through the State Health Benefits Program (SHBP) as long as he or she is included under your SHBP coverage at the time of death. It will be the survivor's responsibility to pay for the full cost of the coverage. The coverage can also include any dependent children who are covered at the time of death.

GROUP LIFE INSURANCE

JRS members are eligible for both Contributory and Noncontributory Group Life Insurance. Group life insurance is provided through policies issued by the insurance carrier — the Prudential Insurance Company of America.

- Contributory Group Life Insurance is insurance for which you pay. There are two contributory group life insurance plans available to JRS members. These insurance plans are described in the next section.
- Noncontributory Group Life Insurance is provided by the State of New Jersey through the retirement system. There is no cost to you for this coverage. Information about this coverage follows the section on Contributory Group Life Insurance.

CONTRIBUTORY GROUP LIFE INSURANCE

Upon enrollment, all JRS members are eligible for one of two types of Contributory Group Life Insurance:

- Group Term Life Insurance; or
- Group Variable Universal Life (GVUL) Insurance.

Both the Group Term Life Insurance and the GVUL Insurance offer coverage at levels of 1½, 2, 3, 4, or 5 times your judicial salary. Upon enrollment in one of these contributory insurance plans, you can also enroll your spouse and/or dependent children in a \$5,000 group term insurance policy.*

**Spouses who are also judges enrolled in the JRS may not be covered as both a judge and a spouse.*

Contributory insurance premiums are paid through regular payroll deductions. Rates are adjusted each year on the first day of the pay period that includes May 1 — the anniversary date of the plan.

Your Contributory Group Life Insurance amount is based on your judicial salary at enrollment and is adjusted, for any pay increases thereafter, on the first day of the pay period that includes May 1.

Added Benefits of the GVUL

In addition to the life insurance benefits provided by this coverage, the GVUL Insurance plan offers additional benefits including investment options that allow you to direct funds to any of 16 variable annuity plans (similar to mutual funds), and loans against your GVUL Insurance. See the plan prospectus, which is available from Prudential, for full details.

Enrollment in Contributory Group Life Insurance

The JRS requires that newly enrolled members must be covered by one of the two Contributory Group Life Insurance plans for at least the first 12 months of membership. Either plan is *optional* for JRS members after completing the first 12 months of service (or for members enrolled prior to May 1, 2001).

JRS members who are not covered by contributory insurance may elect to enroll at any time, but must provide evidence of good health (see below).

Evidence of Good Health

Newly enrolled JRS members do not need to provide evidence of good health for coverage at 1½ times salary. Evidence of good health is required from any JRS member for enrollment at higher coverage levels or for those enrolling or increasing coverage at a later date.

Contributory Group Life Insurance Coverage at Retirement or Termination of Employment

Group Term Life Insurance coverage ends when you retire or terminate covered employment. You can, however, continue your Contributory Group Life Insurance coverage after you leave employment by purchasing a converted life insurance policy from Prudential, without a medical examination, at your own expense. See “Conversion of Group Life Insurance” on page 32 for more information.

Group Variable Universal Life (GVUL) Insurance is “portable coverage.” This means that coverage can be continued after retirement or if you leave covered service as a judge. You will be billed monthly by Prudential for the full premium plus a \$3 monthly service fee.

For More Information about the Contributory Group Life Insurance Plans

Both the Group Term Life Insurance and the GVUL are administered by Prudential. If you have any questions about the program or would like to receive a plan prospectus, contact the Prudential Insurance Company of America, Group Life Services, PO Box 948, Horsham, PA 19044, or call 1-800-524-0542.

NONCONTRIBUTORY GROUP LIFE INSURANCE

Note: The following information applies only to the Noncontributory Group Life Insurance provided by the JRS; it does not pertain to the separate Contributory Group Life Insurance options described above.

The State pays the cost of your noncontributory insurance. Upon enrollment, you receive an individual certificate from the Division of Pensions and Benefits that you should keep with your important papers.

‘Final Salary’ — For noncontributory insurance, “Final Salary” means the salary on which your JRS pension contributions are based as of the date of your death or retirement.

Noncontributory Group Life Insurance Coverage for Active Members

If your death occurs in active service before retirement, your named beneficiary (or estate where there is no named beneficiary) will receive a death benefit equal to $1\frac{1}{2}$ x Final Salary.

Noncontributory Group Life Insurance Coverage for Retired Members

Noncontributory Group Life Insurance coverage is available in retirement to JRS retirees with *at least* 10 years of service credit in the JRS or to those who retire on a Disability Retirement.

- **Service and Early Retirees** — if you die after retirement, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to $\frac{1}{4}$ x Final Salary.
- **Deferred Retirees** — your noncontributory coverage is not in effect between the time you terminate judicial service and your Deferred Retirement date. If you die between the time you terminate your judicial service and your retirement date, the last named beneficiary will receive only the return of your pension contributions with interest. There is no other death benefit under these circumstances (see “Conversion of Group Life Insurance” on page 32).
- **Disability Retirees** — If you die while on a Disability Retirement before reaching age 60, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to $1\frac{1}{2}$ x Final Salary. If you die at age 60 or older, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to $\frac{1}{4}$ x Final Salary.

Choosing a Beneficiary

Your *JRS Enrollment Application* contains a section in which you name beneficiaries for both your Noncontributory Group Life Insurance benefits and the return of your pension contributions. You may name any person, organization, your estate, or a trust as beneficiary.

Active members may change Noncontributory Group Life Insurance designations at any time by filing a new and properly completed *Judicial Retirement System Member Designation of Beneficiary* form with the Division of Pensions and Benefits.

- **Members enrolled in a contributory plan must change their beneficiary designation with that plan separately.** Contact the Prudential Insurance Company of America, Group Life Services, PO Box 948, Horsham, PA 19044, or call 1-800-524-0542.

At retirement, you are asked on your *Application for Retirement Allowance* to name a beneficiary(ies) for pension benefits and separately name beneficiaries for Noncontributory Group Life Insurance benefits. Some restrictions apply to who may be named for optional pension benefits (see “Optional Settlements at Retirement” on page 14), however, you may name any person, organization, your estate, or trust as beneficiary for noncontributory insurance benefits.

- The designation of a beneficiary on an *Application for Retirement Allowance* that is filed with and accepted by the Division of Pensions and Benefits supersedes *any* older designation of beneficiary on file. The designation is effective upon acceptance by the Division, even if the retirement date on the application is in the future *or* the member later cancels the retirement application.

Retirees may also change noncontributory insurance designations at any time during retirement by filing a new and properly completed *Designation of Beneficiary* form with the Division of Pensions and Benefits.

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by e-mail. The Division will only accept a written request from the member that includes the member's signature and social security number or pension ID number.

Payment of Noncontributory Group Life Insurance

Group life insurance benefits for active members can be paid in one of several ways. The options are:

- **Lump Sum** — A single payment to your beneficiary (group life insurance for retirees must be paid in a lump sum).
- **Annuity Certain** — Equal installments over a selected period of years.
- **Life Annuity** — Paid monthly to your beneficiary for life.

Death benefits cannot be paid until all the necessary information and claim forms have been received from your beneficiary by the Division of Pensions and Benefits.

To report a death, contact the Judicial Retirement System at (609) 292-0909.

Taxation of Group Life Insurance Payments

Information regarding death claim payments are supplied to the New Jersey Division of Taxation, in accordance with their requirements. A beneficiary or beneficiaries may be considered by the Division of Taxation to be personally liable for any and all inheritance and/or estate taxes until paid.

Noncontributory Group Life Insurance and Leave of Absence

Your Noncontributory Group Life Insurance coverage will continue in full force for an official leave of absence without pay under the following conditions:

- Up to two years while on an official leave of absence for personal illness.
- Up to 93 days while on official leave for personal reasons. A member who has been suspended without pay is covered for group life insurance for up to 93 days.

Taxation of Group Life Insurance Premiums

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable.

To determine the taxable amount, subtract \$50,000 from your noncontributory life insurance coverage. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart below) and the life insurance in excess of \$50,000.

Example: A JRS member is age 52 and has noncontributory insurance coverage of 1½ times salary. The member's annual base salary is \$100,000. The member's life insurance coverage totals \$150,000 (1.5 X \$100,000).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount, \$150,000. That leaves \$100,000 (\$150,000 - \$50,000).

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$276.00 (100 X \$2.76) and would be added to the member's taxable income.

IRS Premium Rates*	
(Annual cost per \$1,000 of coverage)	
Age	Premium
Under age 25	\$ 0.60
25-29	0.72
30-34	0.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55-59	5.16
60-64	7.92
65-69	15.24
70 and older	24.72
*These rates are subject to change by the IRS.	

Waiving Noncontributory Group Life Insurance over \$50,000

You may waive your Noncontributory Group Life Insurance coverage by completing a waiver form and submitting it to the Division of Pensions and Benefits. The waiver form must be received by the Division before December 31 to be effective January 1 of the next calendar year. Once a waiver form has become effective it shall be irrevocable for the entire calendar year. The waiver will remain in effect until you submit a reinstatement form to the Division of Pensions and Benefits. The reinstatement will become effective the following January 1.

Waiver and reinstatement forms are available from the Division of Pensions and Benefits or from the Human Resources Office at the Administrative Office of the Courts.

If a waiver is in effect at the time of termination of judicial service or retirement, you will not be permitted to convert any amount of your noncontributory coverage over \$50,000 (see “Conversion of Group Life Insurance” below).

Before completing the waiver, you should completely understand the ramifications of waiving your Noncontributory Group Life Insurance. For more information, refer to Internal Revenue Service *Publication 525, Taxable and Non Taxable Income*.

CONVERSION OF GROUP LIFE INSURANCE

Contributory Group Term Life Insurance coverage ends 31 days after you cease judicial service — whether for reasons of retirement or termination of service — or when the period of coverage under a leave of absence without pay ends.

Contributory Group Variable Universal Life (GVUL) Insurance is “portable coverage.” This means that coverage can be continued after retirement or if you leave judicial service, at your own cost, by contacting Prudential at 1-800-354-6903.

Noncontributory Group Life Insurance coverage is reduced at retirement if you retire with at least 10 years of service credit in the JRS.* Otherwise, noncontributory coverage ends 31 days after you cease judicial service or after the period of coverage under a leave of absence without pay ends.

You have the option to convert any **Contributory Group Term Life Insurance** or your **Noncontributory Group Life Insurance** coverage, without a medical examination and at your own expense, to an individual policy from the Prudential Insurance Company when you retire, terminate judicial service, or lose coverage while on a leave of absence without pay. This conversion to a Prudential policy is guaranteed (you cannot be denied coverage for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers.

You may wish to contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy (other carriers may accept or reject your application based on their evaluation of the status of your health and other factors).

If you wish to purchase a conversion policy, you have a one-time option to do so prior to the 31st day after you cease judicial service or coverage under a leave of absence ends (see exception on page 34 under “Disability Retirement”). After that date, you will not be eligible to purchase a conversion policy.

You may convert your Contributory Group Term Life Insurance or Noncontributory Group Life Insurance to any individual, non-group policy customarily offered by Prudential. However, you cannot convert to term insurance or a policy containing disability benefits.

Under a guaranteed conversion, the premiums you would pay would be at Prudential’s “standard” rates for the type of policy to which you would be converting rather than the “preferred” rates that would be used for applicants in good health. The individual policy will be effective at the end of the 31-day conversion grace period. If you do not convert to an individual policy by the end of the 31-day period, your coverage will end.

*If you retire on a Disability Retirement the 10-year minimum requirement is waived, and the noncontributory insurance is not reduced until you reach age 60.

To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) through any of its local offices or, if you live in New Jersey, by calling 1-800-262-1112.

You will need to provide your group insurance policy numbers, which are G-14800 for the noncontributory policy and G-94368 for either contributory policy.

The conversion policy can be for any amount of insurance up to the amount that you had while in judicial service, **except** in the case of a retirement; the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan.

Please note that you have 31 days after termination of judicial service to take advantage of the conversion privilege. *To protect your conversion privilege it is suggested that you send your application for conversion to Prudential, with at least one month's premium, at the time you terminate judicial service or file your retirement application with the Division of Pensions and Benefits.* While sending the application and premium to Prudential will protect your conversion privilege, under no circumstances can the conversion policy become effective until 31 days after you cease employment.

The following sections provide more detailed information about conversion policies under specific situations.

Conversion: Retirement

Service or Early Retirement

If you retire with a Service or Early Retirement, and your Noncontributory Group Life Insurance is in force at retirement, it will be reduced to $\frac{1}{4}$ x Final Salary. You will automatically be covered by this insurance and do not need to do anything to qualify.

The reduction of your life insurance coverage will be effective 31 days after your judicial service ceases. If you wish to supplement this coverage with either a conversion policy from Prudential, or another type of policy from Prudential or another insurance carrier, it would be best to begin exploring your options at least four months prior to your retirement.

Example: If your Final Salary at retirement was \$100,000, your Noncontributory Group Life Insurance death benefit as an active member would be \$150,000 (1.5 x Final Salary). Once you retire that benefit would be reduced to \$25,000 ($\frac{1}{4}$ x Final Salary) providing you qualify for insurance coverage in retirement. If you decide to convert your coverage, you could purchase up to \$125,000 (\$150,000 - \$25,000) worth of coverage (plus up to the amount of any Contributory Group Term Life Insurance that was in effect at your retirement).

Deferred Retirement

If you retire on a Deferred Retirement, your Noncontributory Group Life Insurance coverage will end 31 days after termination of judicial service. Any noncontributory coverage to which you are entitled upon retirement will not take effect until you reach age 60 and begin to receive retirement benefits. In addition, any Contributory Group Term Life Insurance in effect will also end 31 days after termination of judicial service.

You have the one-time option to purchase a conversion policy prior to the 31st day after termination of judicial service (not at the time that you reach normal retirement age). The maximum amount of coverage that you may purchase will be the difference between the amount of coverage you had while in judicial service and the amount of coverage that you will automatically receive when you

begin to receive retirement benefits.

Disability Retirement

Your Noncontributory Group Life Insurance coverage will continue while your Disability Retirement benefits are being processed provided that the retirement application was filed within 30 days of ending your judicial service.

If you are approved for a Disability Retirement, you will automatically be covered by noncontributory insurance equal to $1\frac{1}{2}$ x Final Salary until you reach age 60. Once you reach age 60, or if you are already age 60 or older, your noncontributory insurance will be reduced to $\frac{1}{4}$ x Final Salary.

You will have the option to purchase a conversion policy for your Noncontributory Group Life Insurance **up until the day you reach age 60** (or 31 days after your retirement date if you are age 60 or older). The maximum amount of coverage that you may purchase will be the difference between the amount of noncontributory insurance coverage you had while in judicial service and the amount of coverage that you will automatically receive when you reach the normal retirement age of 60.

In addition, any **Contributory** Group Term Life Insurance you have in effect will also end 31 days after termination of judicial service. To continue this coverage, you must contact Prudential about a conversion policy **within 31 days** of your termination of judicial service.

Conversion: Termination of Employment or Leave of Absence

If you terminate judicial service without applying for retirement, or your insured period during a leave of absence expires, you will continue to be covered for the next 31 days. Up until the end of that 31-day period, you may convert your Noncontributory Group Life Insurance and any Contributory Group Term Life Insurance, without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits.

Example: If your Final Salary at the time of your separation or leave of absence was \$100,000, your death benefit would be \$150,000 (1.5 x Final Salary). If you decide to convert your coverage, you could purchase up to \$150,000 worth of life insurance (plus up to the amount of any Contributory Group Term Life Insurance that was in effect at your retirement).

WITHDRAWAL FROM THE RETIREMENT SYSTEM

When Membership Ends

Your active membership in the JRS ends 30 days after your retirement date or 30 days after the approval of your retirement, whichever is later, or if:

- You die;
- You end your employment and withdraw your contributions from the JRS; or
- You have not been contributing to the retirement system for two consecutive years. Two years is the limit for inactive membership before an account is expired (see “Exceptions” below).

If your membership has been inactive for two years, you should file an *Application for Withdrawal* since contributions left in the system do not accrue interest.

Should you return to JRS-covered employment **before** the two-year period ends, you have the option of resuming contributions to your account, if you otherwise qualify. Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member of the JRS in all respects. Service credit from a former membership may be purchased by members returning to the system after withdrawal of a former account (see page 4).

Exceptions

Your membership will not end two years after your last contribution if you are granted an official leave of absence beyond the two-year period.

If your leave of absence extends beyond two years, your inactive membership can be extended up to 10 years. You must submit documentation from the judiciary showing that your leave of absence was officially extended, or that your judicial service was not terminated voluntarily or for cause, for this extension to be granted. If you return to judicial service covered by JRS during that extended period of inactive membership, your account would be reactivated and you would then be eligible for a retirement allowance, provided you meet the qualifications for retirement.

Withdrawing Contributions

If you terminate judicial service before retirement, you may withdraw all your contributions less any outstanding loan or other obligations. You may withdraw only the money you have contributed and partial withdrawals are not permitted. **Upon your withdrawal, all rights and privileges of membership end.**

Since the employer/employee relationship must be severed, no withdrawal will be paid if there are unresolved legal matters concerning your termination of employment.

To withdraw, you must file a properly completed *Application for Withdrawal*.

In accordance with federal law, income tax must be withheld on certain pension distributions that produce an annual taxable income of \$200 or more, unless the taxable amount is directly rolled over into an individual retirement arrangement (IRA) or a new employer's retirement plan (if applicable). To qualify, this direct rollover must occur within 60 days of the withdrawal check date. If payment is made directly to you, the taxable portion is subject to 20% federal income tax withholding. In addition, if you receive payment before you reach age 59½ and you do not roll it over, you may have to pay an extra tax equal to 10% of the taxable portion of any payment. If you have any questions concerning this federal law, call the Internal Revenue Service at 1-800-TAX-1040.

If you are age 60 or have at least five years of judicial service and at least 10 years in the aggregate of public service credit when you file for withdrawal, you must waive any rights you have to a retirement or death benefit. This written waiver is part of a letter which states the amount of retirement and death benefits to which you are entitled if you do not withdraw.

No withdrawal application can be processed until all the necessary information has been received from you and the Administrative Office of the Courts.

APPEALS

If you wish to appeal any administrative decision of the Division of Pensions and Benefits, address your appeal to:

**Secretary to the State House Commission
Judicial Retirement System
Division of Pensions and Benefits
PO Box 295
Trenton, New Jersey 08625-0295**

Your appeal to the State House Commission must include a copy of the administrative decision, a detailed explanation of your basis for disagreement with the decision, and all supporting documentation that you wish to be considered by the Commission.

If your appeal is denied by the Commission, you may request a formal hearing by sending a written statement to the Commission within 45 days from the date of the Commission's decision. State in detail the reasons for your disagreement with the Commission's determination and submit any and all supporting documentation if you have not already done so. If no such written statement is received within the 45-day period, the determination shall be considered final.

If your request for a formal hearing is approved, the Commission will submit the matter to the Office of Administrative Law (OAL). Upon completion of this hearing, the Administrative Law Judge will submit an initial decision which the Commission may adopt, reject, or modify. If the Commission rejects or modifies the initial decision, it shall issue a detailed findings of fact and conclusions of law which will become the Commission's final administrative determination and may then be appealed to the Superior Court, Appellate Division.

When the State House Commission reviews your request for a hearing in the OAL, it determines whether the matter involves contested facts or is solely a question of law. If the appeal involves solely a question of law, an OAL hearing is not likely to be approved. In that case, the Commission shall reject your hearing request and issue detailed findings of fact and conclusions of law. These findings and conclusions will become the Commission's final administrative determination and may be appealed to the Superior Court, Appellate Division.

Benefits and provisions of the Judicial Retirement System are subject to changes by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the Judicial Retirement System, it is not a final statement. Complete terms governing any judicial benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code.

JUDICIAL RETIREMENT SYSTEM HANDBOOK EVALUATION FORM

Please rate the following aspects of this handbook:

1. Explanation of the provisions of the Judicial Retirement System.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

2. Ease of use (readability, ease in finding needed information, etc.).

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

3. Usefulness as a future reference.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

4. I found the following section(s) or subject(s) helpful:

5. I found the following section(s) or subject(s) confusing:

6. Questions or comments:

If you need an answer to a question, be sure to include your full name, last four digits of your Social Security number or JRS membership number, a daytime telephone number, and return address:

Name: _____

SSN or Member Number: _____ Phone: _____

Address: _____

Please mail or fax your completed evaluation form to:

Division of Pensions and Benefits
ATTN: Office of Communications
PO Box 295
Trenton, NJ 08625-0295
Fax: (609) 777-1779
pensions.nj@treas.nj.gov

Thank you for your time and consideration in completing and returning this evaluation.

